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19 November 1985

# China Report

ECONOMIC AFFAIRS

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FOREIGN BROADCAST INFORMATION SERVICE

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19 November 1985

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AGGREGATE ECONOMIC DATA

BRIEFS

NEI MONGGOL TECHNICAL ACHIEVEMENTS--Nei Monggol Region held its second technical findings transaction meeting from 10 to 20 October, in which the region made more than 290 agreements on technical findings, which are worth more than 30 million yuan. Of these agreements 44 are technical transfers and are worth more than 2.53 million yuan; and 248 are of technical results for overcoming technical difficulties, worth more than 27.54 million yuan. [Excerpt] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 22 Oct 85 SK]

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CSO: 4006/202

ECONOMIC MANAGEMENT

JILIN INSURANCE COMPANY HELPS FLOOD VICTIMS

OW291426 Beijing XINHUA in English 1219 GMT 29 Oct 85

[Text] Changchun, October 29 (XINHUA)--The Insurance Company of Jilin Province and its branches have helped factories restore production, and residents rebuild their homes after severe flooding this summer.

The company has paid out a total of 30 million yuan in claims for losses to 564 factories and nearly 11,000 households, an official said. The claims mainly covered business premises and private property.

An electronic instrument factory in the city of Jilin restarted production after being paid 209,000 yuan by the local insurance branch for losses of raw materials.

Most of the houses in a village in Nongan County were washed away by the flooding, and property losses were estimated at 600,000 yuan. Of the village's 456 households, 408 had insured their property and are using the premiums to build new homes.

At the request of villagers, the county government has renamed the village "New Baoxian (Insurance) Village".

Jilin's insurance business, which was suspended during the "cultural revolution" (1966-76), started up again in 1980. The provincial insurance company now runs offices in all rural townships offering 39 types of policies.

By the end of September, about 15,700 major enterprises and insured property worth 12 billion yuan; and some 1.12 million households, or one-fifth of the province's total, had taken out policies covering private property.

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CSO: 4020/62

ECONOMIC MANAGEMENT

BRIEFS

INTERNATIONAL BANKING TRAINING SEMINAR--Beijing, October 29 (XINHUA)--A seminar to train Chinese personnel in international banking opened here today in Beijing. The seminar is sponsored by the People's Bank of China, the Central Bank and the Euro-China Organization for Technical and Economic Cooperations (ECOTEC). During the five-day seminar, experts and scholars from the Federal Germany, Switzerland, Finland and Liechtenstein will give lectures on such topics as the role of the Central Bank, refinancing of banks and capital market transactions and lending policy of commercial banks. Over 120 personnel from China's banks are attending. The Switzerland-based organization is a non-governmental and non-commercial organization of scholars and professors from the Federal Germany and Switzerland. Composed of 32 research institutes, corporations and financial institutions, it promotes exchanges and cooperations between European and Chinese academic circles and enterprises. [Text] [Beijing XINHUA in English 0705 GMT 29 Oct 85 OW]

BEIJING AUDITING BUREAU--Beijing, October 29 (XINHUA)--Beijing Auditing Bureau helped the capital's enterprises save more than 50 million yuan during the first nine months of this year, a bureau official said here today. In the past two years the bureau has trained more than 1,700 auditors for the city's 104 big and medium-sized enterprises. These auditors recommended ways to use funds more effectively and increased economic results. Auditors of the Beijing No 2 chemical factory suggested ways that saved 1,680,000 yuan for laying underground tunnels. The bureau also helped save about 300,000 yuan in the renovation of a big hotel. [Text] [Beijing XINHUA in English 0720 GMT 29 Oct 85 OW]

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CSO: 4020/62

## FINANCE AND BANKING

### PRC'S FOREIGN EXCHANGE SITUATION ASSESSED

OW270800 Beijing XINHUA in English 0728 GMT 27 Oct 85

[Text] Beijing, October 27 (XINHUA)--China's foreign exchange reserve for the entire year of 1985 is expected to be normal and there will not be any dramatic fluctuations, said Tang Gengyao, director of the state administration of exchange control.

In an interview with the English weekly, BEIJING REVIEW, he said that there was a big trade deficit in the first half of this year due to import outdoing export. But with the increase in foreign exchange earned from the tourist industry and other non-trade businesses, and thanks to the appropriate measures taken by the state in the second quarter to balance the delivery of imported goods and cut down on unnecessary imports, China has been able to offset a portion of the trade deficit.

In the days ahead, he said, with the steady expansion of foreign economic exchange, imports will continue to increase on the basis of the growth of exports, and so will the amount of foreign exchange used for the import of goods. From the long-term point of view, China has a shortage of foreign exchange funds. It remains one of China's long-term goals for economic development to collect foreign funds through different channels and import foreign capital, including direct investment and welcome foreign business people to set up joint ventures, cooperative enterprises and even entirely foreign-owned enterprises in China.

Tang said that there has been a continued, substantial annual increase in China's foreign exchange reserve since 1979. The figure was 2,262 million U.S. dollars at the end of 1980, 11.13 billion in late 1982 and 14.42 billion in 1984, a six times increase in four years. This, plus the 12.67 million ounces of gold reserve, adds to China's capability to pay 20 billion U.S. dollar worth of imports.

This was due, he continued, to the rapid development of industrial and agricultural production, the dramatic increase in the country's financial resources and the measures to expand exports and reduce imports to suit the needs of economic readjustment as well as the rapid increase in foreign exchange earnings from tourist industry and other non-trade businesses.

Tang stated that while keeping to the principle of centralized control of foreign exchange, China has also carried out reforms in this field. They included relaxation of foreign exchange control over sino-foreign joint ventures, allowing them to use foreign currencies to quote prices and settle accounts for part of their products to be sold on the Chinese domestic market, granting some financial organizations the right to handle foreign exchange business and allowing the Industrial and Commercial Bank of China and the Agricultural Bank of China to engage in part of the foreign exchange business in the Shenzhen, Zhuhai and Xiamen special economic zones.

The Bank of China and the China International Trust and Investment Corporation have been allowed to issue bonds in Japanese yen, deutsche mark and Hong Kong dollar on the Japanese, Federal German and Hong Kong money markets. In addition, China has enlarged the business scope of four foreign and overseas Chinese banks -- the Hong Kong and Shanghai Banking Corporation, the Chartered Bank of India-Australia and China, the East Asian Bank and the Overseas Chinese Bank. The People's Bank of China has approved the establishment of a branch of the Hong Kong-Guangdong Bank in Shenzhen and a branch of the Macao Nantong Bank in Zhuhai. Recently it also permitted the Hong Kong and Shanghai Banking Corporation to set up a branch in Shenzhen. The Bank of China has also begun to accept deposits of personal foreign currencies in some major Chinese cities.

On the circulation of foreign currencies in the special economic zones, he said that since this creates special problems, they should be dealt with according to special conditions. The policy for running special economic zones is already fixed and will not be changed. Specific policies and measures implemented there have to go through trial periods.

Shenzhen has adopted a series of measures, one of which is to allow some shops to sell commodities to be paid with foreign currencies. The results remain to be seen. It is hard to make an accurate judgement at this point.

He called attention to some problems regarding the control and use of foreign exchange. Among them are one-sided pursuit of high-speed production in some departments by importing raw and semi-finished materials and assembly parts, the import of an excessive quantity of high-grade goods, the lack of effective measures to press for the overdue payments for exports, the banking of export earnings and foreign exchange in other countries by some units, and illegal trade in foreign exchange. Though local and few, he said, these problems can upset the state plan for foreign exchange income and expenditure, disrupt financial order and even tarnish the country's reputation abroad.

He said that it is necessary to tighten overall control over foreign exchange and use the limited amount of foreign exchange for the most necessary aspects of production so as to achieve the maximum economic results.

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CSO: 4020/52

FINANCE AND BANKING

PRC BALANCE OF PAYMENTS SUMMARIZED

Beijing JINGJI RIBAO in Chinese 2 Sep 85 p 1

[EXCERPT]

	(Unit: \$ 1 billion)		
	1982	1983	1984
I. Current Account	5,674	4,240	2,030
A. Trade balance	4,249	1,990	14
Exports (FOB)	21,125	20,707	23,905
Imports (FOB)	-16,876	-18,717	-23,891
B. Services and other			
income	939	1,739	1,574
Credit	3,604	4,028	4,819
Debit	2,665	2,289	3,245
C. Unrequited transfers	486	511	442
Private	530	436	305
Official	-44	75	137
II. Capital Account	338	-226	-1,003
A. Long-term capital	389	49	-113
Credit	3,312	2,702	4,128
Debit	-2,923	-2,653	-4,241
B. Short-term capital	-51	-275	-890
Credit	244	59	223
Debit	-295	-334	-1,113
III. Errors and omissions	279	-366	-932
IV. Changes in reserves	-6,291	-3,648	-95

(Note: Negative values for changes in reserves indicate increases.)

CSO: 4006/972

FINANCE AND BANKING

PRC ENTERPRISES BENEFIT FROM TAX REFORM

OW240550 Beijing XINHUA in English 0332 GMT 24 Oct 85

[Text] Beijing, October 24 (XINHUA)--Chinese enterprises have gained greater financial powers since the second stage of tax reform was introduced at the end of last year, according to a finance ministry official.

Profits at the disposal of state-owned enterprises after taxation now average 549 yuan per worker a year, compared with 305 yuan before the second stage was introduced.

Under the second step, the rates of product tax and value added tax have been readjusted and resource tax and city maintenance tax were added. The level of taxation levied according to sales increased, while regulatory tax rates were reduced along with central financial control.

As a result, the sales tax receipts are expected to soar by eight billion yuan a year, representing a jump from 41 percent to 50 percent of total taxation.

The ministry official pointed out that enterprises and workers could now earn more from boosting profits, so it paid them to work harder.

Meanwhile, state revenue would not suffer, and it would rise with increased production.

The introduction of city maintenance tax has enabled major cities to have on average 1.5 to 2 billion yuan more money for municipal construction and development. In the past, cities mainly relied on state allocations for municipal construction.

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CSO: 4020/52

FINANCE AND BANKING

BEIJING RESIDENTS INCREASE SAVINGS DEPOSITS

OW281952 Beijing XINHUA in English 1534 GMT 28 Oct 85

[Text] Beijing, October 28 (XINHUA)--The savings deposits of Beijing people have increased by 25.7 percent annually during the past five years, making the total amount four billion yuan by this September, as against one billion yuan in 1980, according to the latest issue of "Beijing youth".

Huo Xianglun, the director of the Beijing branch of the China Industrial and Commercial Bank, denied the claim that the increase in savings is due to high prices and shortage of consumer goods, making it easier for them to put their money in the bank than to spend it, while answering questions from local reporters.

"Generally speaking, prices have remained stable, although there are some rises," he said. "Our experience tells us that inflation would lead to a dramatic drop in the bank savings of ordinary people, who would rush to spend the money rather than see it devalued."

He added that the retail sales in the city have increased by 25 percent this year, matching the savings increase rate.

The latest sample survey shows that 46 percent of depositors have credit of more than 1,000 yuan, as against the two percent whose savings are less than 100 yuan. And more than half of the depositors fix their savings deposits over three years.

Huo said that most savings come from workers and government employees while the households engaged in individual businesses account for less than one percent of the total four billion yuan.

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CSO: 4020/52

## FINANCE AND BANKING

### RURAL SAVINGS DEPOSITS RISE IN SEPTEMBER

OW311156 Beijing XINHUA in English 1144 GMT 31 Oct 85

[Text] Beijing, October 31 (XINHUA)--Rural savings deposits in China totalled 65.72 billion yuan at the end of September, 5.06 billion more than at the same time last year, the Agricultural Bank of China announced.

Ma Yongwei, governor of the bank, said the figure was the equivalent of 82 yuan savings by every one of China's 800 million peasants.

He predicted that rural savings deposits would reach 70.5 billion yuan by the end of the year.

The large increase in savings had provided funds needed for this year's agricultural production and purchasing of agricultural and sideline products, and lent financial support to the readjustment of rural production patterns and the development of commodity production.

In recent years, Ma said, peasants' income had increased steadily due to rural reforms and the growth of a commodity economy. The currency in circulation in the countryside at present was about 60 billion yuan. So it was definitely possible to attract more rural savings.

According to a sample survey conducted by the State Statistical Bureau, the average annual net personal income of Chinese peasants in 1984 was 355 yuan.

Ma said that rural savings deposits constituted an important source of agricultural credit funds. There would be greater demand for funds as commodity production developed, so it was important to encourage more savings.

The Agricultural Bank planned to improve services and publicize the benefits of saving.

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CSO: 4020/60

## FINANCE AND BANKING

### BRIEFS

KUWAITI BANK DELEGATION--Beijing, October 14 (XINHUA)--Vice-Premier Yao Yilin met a delegation from the National Bank of Kuwait led by its chairman Mohamed Abdul Mohsin al-Kharafi here today. Yao told the guests that China and Kuwait are both countries of the Third World and have good economic cooperative relations. He hoped that friendship and cooperation between the two countries would develop further. Sharing Yao's view, Al-Kharafi said that his delegation had come to seek further cooperation between the two countries in trade, economy and finance. The delegation arrived here October 12 on a goodwill visit to China at the invitation of the Bank of China. [Text] [Beijing XINHUA in English 1643 GMT 14 Oct 85 OW]

TALKS WITH ROMANIAN BANKERS--Beijing October 21 (XINHUA)--President of the People's Bank of China Chen Muhua met a delegation from the National Bank of Romania, led by its president, Florea Dumitrescu, here today. Chen, who is also a state councillor, briefed the visitors on China's economic and financial reforms. She said that in order for the People's Bank of China to play an effective role in the new economic structure, reforms were also necessary there. It was also important to establish links with foreign central banks, and the Romanians could provide valuable experience for the Chinese bank. Dumitrescu said the delegation was here to exchange experience, strengthen contacts and develop bilateral friendly relations and co-operation. Later, Chen gave a dinner for the visitors. Lu Peijian, auditor-general of the Auditing Administration, attended the meeting and dinner. The delegation arrived here a week ago for a friendly visit. [Text] [Beijing XINHUA in English 1607 GMT 21 Oct 85 OW]

SWEDISH BANK OFFICE IN SHANGHAI--Shanghai, October 28 (XINHUA)--The Swedish bank Gotabanken opened an office here today. Gotabanken, which has maintained business contacts with the Bank of China since 1956, is the first northern European bank to open an office in Shanghai. Gotabanken is an important financial agent for China's trade with northern Europe. The volume of trade between China and Sweden is expected to rise to two billion Hong Kong dollars from last year's 1.7 billion. Gotabanken opened a representative office in Beijing in April. [Text] [Beijing XINHUA in English 1541 GMT 28 Oct 85 OW]

FOREIGN LOANS FOR SHANGHAI VENTURES--Shanghai, October 30 (XINHUA)--The Bank of China has helped Shanghai introduce foreign investment by arranging loans for about 70 percent of the city's 130 Sino-foreign joint ventures and cooperative enterprises. The Shanghai branch of the bank had arranged foreign exchange loans for 600 middle-sized and small enterprises to help them retool with imported technology and equipment. He [as received] said the bank has invested in some of the joint ventures and cooperative enterprises and this has encouraged foreign investors. The bank also supports compensation trade in the city. It is now extending foreign currency loans to joint ventures and cooperative enterprises. The bank is cooperating with international banks and providing services for foreign investors. [Text] [Beijing XINHUA in English 1015 GMT 30 Oct 85 LD]

INSPECTION OF TAX REVENUE, FINANCES--Xizang will carry out a major inspection of tax revenue and finances from October to January. Pu Giong, vice chairman of the regional government, has demanded that the departments concerned and the enterprises, undertakings, and units increase financial revenue through carrying out this inspection, and also conduct education in taxation, fiscal, and economic discipline. They should straighten out party style and also improve enterprise management. At present, in common with the whole country, tax evasion and violation of state fiscal and economic discipline exist everywhere in Xizang. Some cases are very serious. Apart from gravely affecting the implementation of the state laws on taxation and reducing the state's revenue, these violations of law and discipline also interfere with reform, corrupt the cadres, and ruin party style and social mood. Hence, carrying out a major inspection of taxes and finances throughout the region and dealing seriously with the problems unearthed is extremely important. [Excerpt] [Lhasa Xizang Regional Service in Mandarin 1130 GMT 21 Oct 85]

GUANGDONG INCREASES TAX REVENUE--At the beginning of October, the province's industrial and commercial tax revenue totaled 5,987.26 million yuan, overfulfilling this year's target 80 days ahead of schedule. Compared with the same period last year, the tax revenue increased by more than 2.54 billion yuan. At present, Guangzhou, Foshan, Shenzhen, Zhuhai, Jiangmen, Shantou, Hainan, and 44 counties and cities have accomplished this year's industrial and commercial tax collection task ahead of schedule. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 25 Oct 85]

ISSUE OF BONDS IN TOKYO--Beijing, 29 Oct (ZHONGGUO XINWEN SHE) -- According to the State General Administration of Foreign Control, since 1982 China has issued bonds on nine occasions in foreign countries, raising funds worth 115 billion Japanese yen, 300 million West German Deutsch marks, and U.S. \$150 million in all. These bonds have been issued by the Bank of China, the China International Trust Investment Corporation, and the Fujian Investment Enterprise Corporation separately in Tokyo, Frankfurt, and Hong Kong. Of the total bonds issued, the bonds issued by the Bank of China

in terms of currency accounted for 60.8 percent of the Japanese yen, 50 percent of the West German Deutsch marks, and 100 percent of the U.S. dollars. As far as the issued bonds are concerned, they were issued one at a time in 1982, 1983, and 1984 and on six occasions in 1985. It has been reported that the Fujian Investment Enterprise Corporation will issue bonds once again in Tokyo at the end of this year. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0836 GMT 29 Oct 85]

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CSO: 4006/202

## MINERAL RESOURCES

### BRIEFS

BODY RECOGNIZES NEW PRC MINERAL--Beijing, October 15 (XINHUA)--The International Mineralogical Association has officially recognized a new mineral discovered by Chinese scientists in the Zabuye Salt Lake, Tibet, the Chinese Academy of Geological Sciences said here today. The name, Zabuyelite, for the naturally-occurring form of lithium carbonate, has been approved by the IMA's commission on new minerals and mineral names. The Chinese academy was informed of this in a letter from Dr. J.A. Mandarino, chairman of the commission. Zabuyelite was discovered in 1982 by the academy's associate research fellow, Zheng Mianping, and Engineer Liu Wengao in fine sediment in the Salt Lake. Lithium, a saluble rare element, is used in the nuclear power and metallurgical industries. The discovery has provided important information for the study of lithium and its recovery from salt lakes. [Text] [Beijing XINHUA in English 0716 GMT 15 Oct 85 OW]

HEBEI COUNTY GOLD PRODUCTION--Kuancheng County in Hebei Province has scored marked achievements in gold production this year. In the first 3 quarters this year, the county's gold output was more than 10,000 liang, and it has maintained its high output record over the past 3 years. [Excerpts] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 10 Oct 85 SK]

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CSO: 4006/202

INDUSTRY

TECHNOLOGY IMPORTS TO UPGRADE TEXTILE INDUSTRY

OW111809 Beijing XINHUA in English 1503 GMT 11 Oct 85

[Text] Beijing, October 11 (XINHUA)--China is importing technical know-how for making advanced textile machinery including shuttleless looms, to upgrade its mammoth textile industry.

As part of this endeavor, an agreement was reached here this evening between the China Textile Machinery and Technology Import and Export Corporation (CTMTC) and Nissan Motor Co., Ltd. of Japan for co-production of 800 jet looms within the next four years.

According to the agreement, the Japanese side will supply the technical know-how to enable the Chinese side to independently produce the machines within the terms of the agreement.

Last Sunday, CTMTC signed a similar agreement with Pignone Smit Company of Italy to co-produce 1,300 rapier looms in the next five years.

The shuttleless loom, characterized by high speed and low noise, is one of the eight most important machinery items in the technical transformation of China's textile industry. The others include high-speed spinning machines, flat screen machines, rotary screen machines and open-end spinning machines, for which agreements for technical co-operation have been signed with overseas manufacturers since last year.

CTMTC Vice-President Zhu Xiangkun said, "Importing advanced technology, including the actual equipment, is an important part of the technical transformation policy for China's textile industry. We are prepared to import other items of technical know-how such as air-jet looms and knitting machines."

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CSO: 4020/55

## INDUSTRY

### U.S. MACHINE TOOL INDUSTRY CONTINUES DECLINE

OW282106 Beijing XINHUA in English 2055 GMT 28 Oct 85

[Text] Washington, October 28 (XINHUA)--Orders for American-made machine tools continued to fall in September, dropping seven percent from their August level and 40 percent compared with September 1984, a report of the U.S. National Machine Tool Builders' Association said Monday.

Analysts said the decline reflected concern among manufacturers that economic growth for the rest of this year and 1986 will be relatively weak. They said the September figures indicate that the domestic makers of machine tools, which are used to cut and shape metal for the automobile, aircraft and other industries, still have not been able to overcome increased foreign competition and the battering they took during the last recession.

U.S. economy expanded at a 3.3 percent annual rate in the third quarter and at only 1.1 percent rate in the first half of this year.

During September, machine tool orders fell to 171.7 million U.S. dollars compared with 184.5 million U.S. dollars in August. Since June the industry began a steady decline in orders.

"The U.S. machine tool industry has finally struggled up to its previous recessionary lows, and now we seem to be on another downslide," said James A. Gray, president of the association.

It was likely that the industry would not be able to top last year's annual orders of 2.9 billion U.S. dollars, said Eli S. Lustgarten, an analyst at Paine Webber Inc. After peaking at 5.6 billion U.S. dollars in 1979, the industry bottomed out at about 1.5 billion U.S. dollars in 1982 and has come back slowly, but steadily, since then. Early this year, analysts were predicting annual orders of about 3.5 billion U.S. dollars for 1985.

The reasons for the drop, analysts said, are more complex and in addition to general economic weakness, include changes in some of the industries that machine tool makers serve. The oilfield services industry, for example, is in the midst of a serious downturn. Foreign competition, especially from Japan, remains a serious problem for the industry, despite slight declines in the strength of the dollars.

## INDUSTRY

### EFFORTS TO UPGRADE TOURISM INDUSTRY ANNOUNCED

OW161437 Beijing XINHUA in English 1239 GMT 16 Oct 85

[Text] Beijing, October 16 (XINHUA)--Greater efforts will be made to improve China's tourism industry, officials said at an international meeting on tourism here yesterday.

Those efforts will include the introduction of new tourist programs and the improvement of hotel services. Also, students will be trained at a dozen universities to be tourism specialists.

The China Youth Travel Service (CYTS), which mainly caters to young international tourists, will add new tours in 1986, Hu Huanzhang, deputy general manager of the CYTS told the meeting. These tours will include bus and motorcycle tours, tours for learning Chinese cooking, and the opportunity to live with local families.

CYTS also offer tours along the Yellow River, the second longest in China, and tours among the sites of the three kingdoms (220-280) in central China, Hu said.

CYTS has been providing diversified programs for its young international clients over the past few years. These include bicycle and skiing tours, tours for learning Chinese calligraphy, painting and embroidery, tours along the "silk road," on the Tibetan plateau, and of the three Yangtze river gorges.

According to the national tourism administration, there are plans to build 50 new hotels over the next few years in Beijing, to cope with the growing influx of foreign tourists.

An official of the administration told the meeting that though Beijing now has over 27,000 beds in 50 hotels for overseas tourists, there is still a severe shortage.

According to statistics, there are over 500 tourist hotels with 170,000 beds in China. A number of tourist hotels have been constructed or renovated.

The official is quite optimistic about the expansion of transportation facilities. The Civil Aviation Administration of China (CAAC) has ordered

58 planes with 7,000 seats this year. New airports have been built, and new lines and flights added in major tourist cities.

China's tourism industry began to expand in 1978. In the first six months of this year, China hosted 1.03 million foreign tourists, 9.3 percent more than the same period last year.

The theme of the meeting, which is sponsored by the China Youth Travel Service, is international youth tourism. Representatives from 63 travel agencies in 20 countries and regions attended the meeting.

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CSO: 4020/50

INDUSTRY

STEEL OUTPUT TO REACH 60 MILLION TONS BY 1990

OW241302 Beijing XINHUA in English 1229 GMT 24 Oct 85

[Text] Beijing, October 24 (XINHUA)--China's annual steel output will jump from last year's 43 million tons to 60 million tons in 1990, according to an announcement today by Lin Hua, vice-minister of metallurgical industry.

The vice-minister was addressing business leaders attending an international business symposium here.

Over the next five years, he said, the iron and steel industry will give priority to retooling and expansion of large and medium-sized enterprises while continuing construction of the second-phase of the Baoshan iron and steel complex in Shanghai.

In order to accelerate development, Lin stressed, the metallurgy industry will carry out economic and technical cooperation with foreign partners, not only in iron and steel, but also gold production.

He said his ministry would welcome foreign investment in technology transfers, compensation trade, joint ventures and exclusive foreign ownership.

China's iron and steel industry has broad prospects for future development and its steel market is very large despite the depression of the international market, he added.

He pledged preferential treatment by the Chinese government for foreign business firms investing in gold, iron and steel undertakings.

China has 14 steel plants with an annual production capacity of more than one million tons each. The largest is the Anshan Iron and Steel Company which produces seven million tons of steel a year.

China also has a number of medium-sized and small steel plants run by the localities.

According to the ministry, China's total steel output is expected to reach 46 million tons this year.

Domestic production at present can not keep up with the increasing demands of modernization. China has to import some rolled steel every year.

Cooperation in steel production with China has aroused the great interest of business people in Australia, Federal Germany, Italy, Japan and the United States.

Negotiations are underway with British and Federal German firms for a joint venture to produce three million tons of steel annually near Beilun port in Ningbo, Zhejiang province.

Talks are also going on concerning steel joint ventures in Shijiu, Yantai and Tianjin.

China's iron and steel producers are also looking for projects in foreign countries. China is now negotiating with Australia, Brazil and other countries on development of iron mines and building of plants.

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CSO: 4020/50

## INDUSTRY

### PACKAGING INDUSTRY PLANS BIG IMPROVEMENTS

OW232138 Beijing XINHUA in English 1619 GMT 23 Oct 85

[Text] Beijing, October 23 (XINHUA)--China's packaging industry will make new headway during the seventh five-year plan beginning next year, the annual meeting of the China Packaging Technology Association (CPTA) was told here today.

Total output value of the packaging industry will reach 18.7 billion yuan in 1990, which will account for 1.16 percent of the output value of all industry and agriculture, officials said.

This year, it is expected to reach 13 billion yuan -- one billion more than last year.

Efforts to boost the industry in the seventh five-year plan include setting up a number of new key packaging enterprises and intensification of the technical transformation of the existing enterprises, officials told the meeting.

While continuing to promote co-operation with foreign businesses in the form of joint ventures, co-operative ventures, compensation trade, leasing and import of technology and equipment, the industry will encourage overseas firms to run enterprises with sole foreign capital here, and Chinese enterprises to open plants abroad.

Colleges to assist the industry will be founded, and secondary technical and vocational schools to train packaging workers will be established in many cities.

The meeting also reviewed the work of the CPTA since it was founded five years ago.

Since 1980, output value of the packaging industry has grown at an average rate of 13.6 percent a year. China now has more than 3,000 enterprises producing packaging materials and equipment.

Since 1981, overseas firms have been involved in more than 200 packaging schemes in China. Between January, 1984, and last June, 33 projects involving 31 million U.S. dollars were launched.

Specialist courses in packaging have been introduced at several universities and more than 20 secondary technical and vocational schools.

The officials pointed out that China's packaging industry still lagged behind many countries, with big losses being caused every year through poor packaging.

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## INDUSTRY

### DEVELOPMENT OF ELECTRONICS INDUSTRY

HK291017 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 18 Oct 85

[Text] While inspecting work in the Shaanxi radio and television equipment plant not long ago, provincial Vice Governor Zheng Bin pointed out that the province's electronics industry must pay more attention to combination and produce fine-quality products as soon as possible so as to attain the target of all spare parts being made by our country.

Zhang Bin said that the province's electronics industry has developed greatly in recent years. In particular, the electric appliance manufacturing industry has become one of the province's superiorities. We must give full play to this superiority, pay more attention to the quality of our products, grasp the work of making all color television spare parts by ourselves, and manufacture more fine-quality products. We should list all spare parts needed in the assembling industry, organize relevant enterprises in the province to tackle the difficulty, and accelerate the pace of producing color television sets with all China-made spare parts.

Zhang Bin said that the province's electronics industrial enterprises must be mainly located in Xian, Xianyang, and Baoji cities in the future, as this will benefit their combining to constitute a superiority. Not only should enterprises producing television sets combine, but enterprises assembling spare parts must also combine.

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CSO: 4006/200

INDUSTRY

QIN ZHONGDA ON CHEMICAL INDUSTRY DEVELOPMENT

OW011029 Beijing XINHUA in English 0853 GMT 1 Nov 85

[Text] Beijing, November 1 (XINHUA)--Production of chemical materials will be one of China's top economic priorities during the Seventh Five-Year Plan period beginning 1986.

It will receive the same attention as energy development and transport in accordance with a recent government decision, Minister Qin Zhongda of chemical industry is reportedly to have said.

On the list of priority for the development of the industry are compound fertilizer, chemical ores, petrochemical products and refined processing, reported the overseas edition of today's "People's Daily", based on an interview with the minister.

Qin called for increased cooperation with foreign countries, including establishment of joint ventures, imports of technology and equipment, purchase of patents, co-designing, and technical consultancy.

He expressed satisfaction with the ministry's cooperation with the United States, Japan, France, the Netherlands and Denmark over the past years.

A compound fertilizer plant, a joint venture between China, Tunisia and Kuwait, will be completed by 1988.

China will also try to increase its export of chemical products and set up joint ventures abroad, Qin added.

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CSO: 4020/55

INDUSTRY

BRIEFS

TECHNOLOGY IMPORTS BENEFIT SHIPBUILDING--Beijing 24 Oct (ZHONGGUO XINWEN SHE) -- Since 1978, China State Shipbuilding Corporation has signed 206 contracts with foreign entrepreneurs primarily to import technologies since 1978. The transactions involved amounted to \$55.4 million. There are contracts on trade licenses, cooperation in technology, cooperation in production, and the purchase of key technological equipment. China State Shipbuilding Corporations has shown great interest in importing software technology in the form of licensed trade; 32 such trade accords have been signed over the past seven years or so. The import of technology in the diversified forms mentioned above has played an active role in promoting the development of China's shipbuilding industry. For example, the import of manufacturing technology for diesel engines from Switzerland's Suershou [5685 1422 1108] Company has provided China with the conditions for developing more advance diesel engines. Likewise, the import of generator technology from Siemens has greatly raised the proportion of domestic raw materials used in products and parts produced by the corporation. By digesting the technology imported, marked economic results have been scored. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0951 GMT 24 Oct 85]

NEI-MONGGOL INDUSTRIAL PRODUCTION--Nei Monggol Autonomous Region has made marked progress in industrial production this year. In the January and September period, the region realized a total industrial output value accounting for 77.3 percent of the figure set forth by the annual plan, a 16.4 percent increase over the figure of the corresponding 1984 period. [Summary] [Hohhot Ne Monggol Regional Service in Mandarin 1100 GMT 25 Oct 85 SK]

ASSEMBLY FACTORY FOR SHANGHAI VOLKSWAGEN--Shanghai, October 18 (XINHUA)--A new car assembly factory went into operation on Thursday at the Shanghai Volkswagen Corporation, a large joint venture between China and the Federal Republic of Germany. The factory brings the daily assembly capacity of the corporation from 25 to 40 Santana cars. With up-to-date testing equipment, cars are now tested on the assembly line instead of on the roads outside, as the corporation did before. All meters of a car can be tested in eight minutes. Based on an existing production line, the project involved putting up factory buildings with a floor space of 2,700 square meters and renovating buildings with a floor space of 800 square meters. The corporation plans to renovate its paint workshop next, an executive said. After 10 years, he said, the corporation is expected to produce 300,000 cars and 500,000 engines annually. [Text] [Beijing XINHUA in English 1446 GMT 18 Oct 85 OW]

## CONSTRUCTION

### FLOODS AVOIDED BY HARNESSING OF YELLOW RIVER

OW291318 Beijing XINHUA in English 1212 GMT 29 Oct 85

[Text] Zhengzhou, October 29 (XINHUA)--The Yellow River, which used to be known as "China's sorrow", is now harnessed and used for irrigation and generate electricity.

The river flooded over 1,500 times prior to 1949, but has never breached its dykes over the past 36 years, according to the Zhengzhou-based committee for the conservancy of the river.

More than 100 potential floods, when river water flow was measured at least 5,000 cubic meters per second, have been averted.

This summer's flood peak was 8,100 cubic meters per second, the committee reported.

The prevention of flooding is vital to major grain and cotton areas and oilfields along the lower reaches of the river, the committee said.

Two oilfields, Shengli and Zhongyuan, have been built on the lower reaches. They have a production capacity of 210 million barrels of crude oil a year.

The 5,465-kilometer river -- China's second longest -- flows west to east through nine provinces and autonomous regions.

It carries to its lower reaches 1.6 billion tons of silt every year from the western loess highlands, which suffers serious soil erosion.

This has raised the riverbed meters above the surrounding ground on the lower reaches.

Flooding is averted by dykes totalling 1,400 kilometers -- the breaching of which would endanger an area of 250,000 square kilometers.

Since the founding of the People's Republic of China in 1949, the government has conducted three major construction schemes to repair and reinforce the dyke.

To control the flow of silt, seven large and medium-sized reservoirs have been built along the river, and another 160 on its tributaries.

More than 2.86 million hectares of trees and grass have been planted along the upper reaches to counter erosion of the loess plateau.

Another major scheme is now planned -- the Xiaolangdi water-control project. This will store five billion cubic meters, and will further reduce the amount of silt carried downstream.

Yellow River water is now being used to irrigate four million hectares of farmland -- five times the 1949 figures. This included 1.330 million hectares in Henan and Shandong provinces.

In addition, people have created 200,000 hectares of fertile land by letting Yellow River silt settle down on poor, alkali soil.

Power stations built along the Yellow River have a total generating capacity of 2,500,000 kilowatts, said the committee attached to the ministry for water resources and electric power.

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CSO: 4020/50

## CONSTRUCTION

### ZHEJIANG PLANS TO BUILD MORE HARBOR BERTHS

OW310500 Beijing XINHUA in English 0323 GMT 31 Oct 85

[Text] Hangzhou, October 31 (XINHUA)--A shallow-water 10,000 DWT berth is expected to go into service by the end of this year in coastal Zhejiang Province, according to local authorities.

The berth, built by the Taizhou Power Plant, is part of the efforts made by local authorities and enterprises to break bottlenecks in transportation.

The province has completed 15 berths, including a 100,000 DWT one, since 1981.

There are now 127 berths in 41 harbors in the province, with an annual handling capacity of nearly 40 million tons.

The biggest is the 100,000 DWT berth in Beilun Harbor, Ningbo city; it serves the Baoshan Iron and Steel Complex in Shanghai. With another two 25,000 DWT berths, the Beilun Harbor has a handling capacity of 20 million tons a year.

In the next five years, Zhejiang plans to build 11 berths of the 10,000 DWT class in Beilun, Zhenhai, Wenzhou and other ports.

In addition, two power plants, in Ningbo and Wenzhou city, respectively, plan to construct 20,000 DWT berths.

Grain, timber, salt and aquatic products departments in the province are also making efforts to build special berths.

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## CONSTRUCTION

### BRIEFS

NEW DRAINAGE SYSTEM AT HUANG HE BEND--Hohhot, October 21 (XINHUA)--A new drainage system with a capacity of 100 cubic meters per second has gone into operation in an ancient irrigation area at the bend of the Yellow River in Inner Mongolia. The water is being drained from the Ulansuhai water detention area into the Yellow River at Sanhuhe. The 24.1-kilometer-long system includes an eight-opening sluice gate, overhead conduits and 6.5 kilometers of bridges. It took an investment of more than 13 million yuan and more than eight years to build. The area, north of the great bend of the Yellow River in Inner Mongolia, covers 410,000 hectares. The land gradually slopes towards the east and at this end it is difficult to drain away the excess irrigation water. Over the past several decades an artificial lake, Ulansuhai Nur, has been formed. The new drainage system has already discharged 800 million cubic meters of water and 173,000 tons of salt into the Yellow River, China's second longest. The area has been a grain producer since the Han Dynasty (206 B.C.-220 A.D.). It is crisscrossed by more than 1,000 kilometers of irrigation canals and 740 kilometers of drainage canals. [Text] [Beijing XINHUA in English 1451 GMT 21 Oct 85 OW]

PROJECT TO DIVERT WATER TO QINGDAO--November 1 (XINHUA)--A project will begin early next year to divert Yellow River water to Qingdao, an important northern China port city now open to foreign investment. The project, which has been approved by the State Council, will increase the daily supplies of water for Qingdao to 500,000 tons, from 200,000 tons now. The 800 million yuan project will be completed in three years. It will include building of a canal snaking 283 kilometers through 30 rivers in Shandong Province, according to a project official. Qingdao, now thirsty due to industrial expansion over the years, is an important foreign trade outlet as well as a tourist resort. It was designated to practise flexible policies to attract foreign investment along with 13 other coastal cities last year. [Text] [Beijing XINHUA in English 0732 GMT 1 Nov 85 OW]

BEIJING-TANGGU EXPRESSWAY--ZHONGGUO JIAOTONG DAO [China Communications Journal] reports: Communications Minister Qian Yongchang recently conveyed the following message from Vice Premier Li Peng: The State Council has decided to build an expressway linking Beijing and Tanggu. In building this expressway, China should blaze its own trail for building expressways by minimizing investment in light of its present conditions without compromising road standards.

NEI MONGGOL ROAD CONSTRUCTION--Nei Monggol Autonomous Region has built 183 highways among the banners, counties, townships, and sumus by making use of the funds appropriated by the state for the subsidies of grains and cloth. As of now, the region has completely built highways more than 3,700 kilometers in length. Highways of more than 600 kilometers are under construction. By the end of November, the region will totally complete the building of these highways. [Text] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 22 Oct 85 SK]

HOUSING CONSTRUCTION IN SHANGHAI--It is learned from the meeting of housing construction cadres held by the Shanghai Municipal Government yesterday afternoon that the total new housing floor space completed between January and September this year still fell far short of the target. The municipal government calls for serious efforts during the remaining 2 months to accomplish the tough task of completing 5 million square meters of housing floor space with all supplementary facilities for the year and create the necessary conditions for housing construction next year and in the Seventh 5-Year Plan period. Mayor Jiang Zemin and Vice Mayor Ni Tianzeng spoke at the meeting. Mayor Jiang said: This year's housing construction is a heavy and arduous task. All departments should work in concert with one another to make sure that all the new housing units completed by the end of the year are inhabitable. The municipal government recently made the initial decision to again construct 5 million square meters of housing floor space with all facilities next year. The total housing floor space planned for the Seventh 5-Year Plan period is 25 million square meters. [Excerpts] [Shanghai City Service in Mandarin 28 Oct 85]

HOUSING CONSTRUCTION SPEEDS UP--Shijiazhuang, 30 Oct (XINHUA) -- During the Sixth 5-Year-Plan period, the construction of rural housing projects in Hebei Province has been remarkably accelerated. In the last 5 years, houses built in the rural areas in the province totaled 230 million square meters in floor space. On an average, about 600,000 peasant families moved into new houses annually. Since 1982, Hebei Province has begun to formulate town and village construction plans. As of the end of October this year, 116 counties, or 80 percent of the total, have completed the planning. [By reporter Peng Zhankui] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0008 GMT 30 Oct 85]

## DOMESTIC TRADE

### INTERREGIONAL COOPERATION PAYS OFF FOR JIANGSU

OW221224 Beijing XINHUA in English 1156 GMT 22 Oct 85

[Text] Nanjing, October 22 (XINHUA)--China's coastal Jiangsu Province signed more than 1,000 agreements on economic cooperation with less well-developed regions in the first nine months of this year, a provincial official here said.

This figure is higher than for the whole of last year's. Cooperation involves the supply of raw materials, funds, technology, information and personnel.

When inspecting Jiangsu last year, Communist Party General Secretary Hu Yaobang said this cooperation had great potential and offered many advantages.

"Its significance is no less important than opening to the rest of the world," said Hu. It would, in fact, aid the open policy.

Last month's national Communist Party conference also stressed the importance of inter-regional cooperation.

With a fully-fledged processing industry, coastal Jiangsu's industrial output value accounted for 9.8 percent of the national total last year, second only to Shanghai.

However, shortages of energy and raw materials had threatened its further development.

Meanwhile, provinces and autonomous regions in central and western China lacked funds and expertise to develop their rich natural resources including coal, non-ferrous metals and forests.

So the cooperation is helping both sides, bringing mutual benefit and common prosperity.

Jiangsu's industrial output value has increased by more than 10 percent a year for the past three years thanks to this cooperation, said the provincial official.

Jiangsu has recently managed to acquire more than 100 kinds of materials, which have been in short supply since 1982. The province now imports 10 million tons of coal a year from inland areas, producing over 40 percent of its total industrial output value.

Meanwhile, the province provided a total of 150 million yuan for the central and western regions to develop their coal and iron and steel industries in the past year.

Small fertilizer plants, tanning yards, food-processing and textile factories, and other enterprises in Sichuan, Guizhou, Qinghai, Gansu and Shaanxi Provinces have imported new technology and improved management with Jiangsu's help.

Jiangsu has also assisted the Guangxi Zhuang and Xinjiang Uygur Autonomous Regions to launch more than 1,000 economic, technical, cultural and educational undertakings in recent years.

Another 345 contracts, involving the development of textiles, light industry, machine-building, chemicals and the building materials industry, have been signed by Jiangsu and the two regions this year.

The regions are beginning to benefit from this cooperation. For example, the Nanning printing and dyeing plant in Guangxi lost 1,350,000 yuan in the two years before it was updated last year.

Technicians from Changzhou City, Jiangsu, helped the factory overhaul some facilities and upgrade technology and management. This resulted in the plant tripling output, adding 80 new designs, improving quality and earning a profit of 550,000 yuan last year.

In addition to Jiangsu, other developed coastal areas, such as Shanghai, Tianjin, Beijing and Shandong, are also helping to develop inland provinces and autonomous regions.

With their technological assistance, carpets from Xinjiang, woolen products from Tibet and dairy goods from Inner Mongolia are now selling well all over China.

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CSO: 4020/66

FOREIGN TRADE AND INVESTMENT

ZHANG JINGFU OPENS OFFICE AUTOMATION SYMPOSIUM

OW070830 Beijing XINHUA in English 0731 GMT 7 Sep 85

[Text] Beijing, September 7 (XINHUA) -- An international symposium and exhibition on office automation, participated in by 34 Chinese and foreign companies and manufacturers, opened at the nationalities Palace of Culture here today.

State Councillor Zhang Jingfu cut the ribbon for the opening of the exhibition.

Taking part in the symposium and exhibition are Britain, Canada, China, the Federal Republic of Germany, Japan, the United States and Hong Kong.

Products on display include automated management systems and office equipment such as telephone and telecommunication systems, audio-video equipment, computers, micrographics, paper money counters, color-copying machines, facsimiles, electric typewriters and projectors.

Su Tian, vice-president of the Chinese Instruments Society, said that the symposium and exhibition would introduce new foreign technology and products connected with office automation, promote scientific and technical exchanges between China and other countries, and promote China's office equipment industry.

Chinese and foreign specialists will give 11 reports on designing office automation systems, information system developments, office automation modes for large enterprises, telecommunication systems and computer's network.

The symposium and exhibition are jointly sponsored by the Chinese instruments society and Edutec International Ltd of Hong Kong.

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CSO: 4020/54

FOREIGN TRADE AND INVESTMENT

MACHINE-BUILDING INDUSTRY IMPORT PLANS REPORTED

OW250718 Beijing XINHUA in English 0638 GMT 25 Oct 85

[Text] Beijing, October 25 (XINHUA) -- China's largest industry -- machine-building -- plans to import more than 1,000 items of advanced technology over the next 5 years, an industry official disclosed here today.

Zhang Renyu, of the Ministry of Machine Building, said this technology would be used to upgrade present standards and transform existing enterprises.

Addressing foreign business leaders attending an international symposium here, he said the industry also wanted to conduct economic and technical co-operation with foreign partners.

Such co-operation would include joint designing, co-operative production, compensation trade, joint ventures and invitation of foreign experts.

Over the past 5 years, more than 600 items of technology have been imported by the industry. They include technology for continuous casting and manufacturing large-capacity pumps and computerized analysers.

Zhang said the imports had come mainly from the Federal Republic of Germany, Japan and the United States.

However, the industry wanted to import from more countries in the future, and would pay more attention to conducting economic and technical co-operation with Eastern European countries and the Soviet Union.

The machine-building industry has so far entered into 23 Sino-foreign joint ventures, including a numerically-controlled machine-tool plant in the United States, and set up in co-operation with a financial group in Singapore.

China has 110,000 machine-building plants, most of them small or medium-sized, employing 12 million people.

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CSO: 4020/54

FOREIGN TRADE AND INVESTMENT

STATISTICS ON FOREIGN INVESTMENT FROM JAN-JUN 85

OW292138 Beijing XINHUA in English 1542 GMT 29 Oct 85

[Text] Guangzhou, October 29 (XINHUA) -- The total number of Sino-foreign ventures is expected to surpass 2,000 by the end of this year, according to an official of the Ministry of Foreign Economic Relations and Trade.

In the first half of this year, 687 joint ventures were launched.

The number for 1984 was 741, as against 107 in 1983. From 1979 to 1982, only 83 joint ventures were set up.

Lu Yongkuan, who is deputy leader of a trading group representing joint ventures at the Guangzhou export commodities fair, said that the number of major production ventures as well as technology-intensive ones have noticeably increased.

At the current fair which opened October 15, more than 1,000 products, including cars and elevators, made by joint ventures are on display.

Lu said that China used 18 billion U.S. dollars of foreign funds from 1979 to June of this year, of which 4.8 billion U.S. dollars have been put into 1,681 joint ventures, 3,000 cooperative enterprises, 31 Sino-foreign offshore oil firms, 94 factories with sole foreign investment and 1,300 compensation trade projects.

Investors are from 28 countries and regions, including developing countries such as Kuwait, Malaysia, the Philippines, Thailand and Tunisia.

The ventures are located in all parts of China except Tibet.

The increase in the number of Sino-foreign joint ventures recently was due to the improvement of China's legal system, Lu said. China has also signed bilateral agreements in taxation and the protection of investment with a number of countries. It became a member country of the Paris convention for the protection of industrial property rights March 15, 1985.

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CSO: 4020/54

## FOREIGN TRADE AND INVESTMENT

### LEGAL ISSUES BEHIND CHINESE-JAPANESE TRADE EXAMINED

Beijing LIAOWANG [OUTLOOK] in Chinese No 33, 19 Aug 85 pp 25-27

[Article by Xu Minhe [1776 3046 0735]: "Chinese and Japanese Experts Discuss Legal Questions Concerning Economic and Technical Cooperation"]

[Text] In the latter part of July, more than 200 economic and legal experts, lawyers and related personnel, Chinese and Japanese, gathered at China's beautiful seaside city of Qingdao to introduce to each other their respective country's legal system as it deals with foreign economic relations, and for a mutual discussion of legal questions concerning economic and technical cooperation between the two countries.

#### I. Economic and Technical Cooperation Must Be Served by Law

This is the first time since the normalization of relations between China and Japan that so large a conference on economic law with so broad a topic of discussion has been convened. Calling a conference of this kind is indeed a necessity posed by the developing circumstances in Chinese-Japanese economic and technical cooperation.

Since the resumption of diplomatic relations in 1972, relations between China and Japan have developed in a most gratifying way. Particularly since the mutual visits of leaders from both countries deepened the profound ties of friendship between the governments and peoples of China and Japan, between "such close neighbors separated only by a strip of water," the development of Chinese-Japanese economic and technical cooperation has correspondingly made great progress. Japan has become China's largest trading partner. According to statistics, from 1979, the year the Law Governing Chinese-Foreign Joint Ventures and Cooperative Management Enterprises was promulgated, to the end of 1984, a total of 931 joint ventures were established in China, of which 57 were Chinese-Japanese joint ventures. A new situation of rapid developments in foreign investments occurred particularly in 1984, when a total of 741 joint venture enterprises were established. This number was 4.9 times the total of the preceding 4 years, and 47 enterprises were investments by Japanese manufacturers and firms, amounting to 5.7 times the total (10) established in the 4 preceding years, a growth rate greatly in excess of the average.

However, we must also realize that in Chinese-Japanese economic cooperation, the Japanese investments in China are not yet daring enough, and technology transfers are still too retrained; in certain respect they lag behind Europe and the United States. In the last few years, 12 countries, among them Sweden, the FRG, and France, have concluded treaties with China for the protection of investments. The United States and Canada have also signed treaties with China for the protection of their investments, but to date no such agreement has been arrived at between China and Japan, although negotiations were started early enough.

There are, of course, many reasons for this state of affairs, a major one being the lack of sufficient understanding of China among all Japanese circles concerned and their concern for reliable legal safeguards for economic and technical interchanges with China. The introduction of one of the Japanese sponsors of the present conference on Chinese and Japanese economic laws, the Center for Japanese and Chinese Economic Law, states that although interchanges between Japanese and Chinese legal circles have had a history of about 10 years, the study of China's economic laws and regulations by Japanese legal circles has, one may say, only just begun, and is therefore still quite inadequate to meet the needs of the present state of economic and technical interchanges between the two countries. As far as most of those Japanese enterprises that are intent upon engaging in economic and technical cooperation with China are concerned, their knowledge of the conditions of China's investment environment is still not comprehensive and thorough enough, and they have even less of a systematic understanding of China's achievements in building up its legal system. Since they cannot obtain appropriate legal services from their legal circles, Japanese entrepreneurs are frequently at a loss as to the proper formulation of contracts or as to provisions for the resolution of contractual disputes concerning investments in China, or concerning transfers of technology to China. They are therefore still reluctant to engage in economic and technical cooperation with China.

This being the case, the present conference on Chinese and Japanese economic laws is being viewed as highly important by the governments and legal circles of both countries, receiving their full support. Japanese Foreign Minister Abe Shintaro dispatched a congratulatory message to the conference and sent his secretary to attend the meetings. PRC State Council member Zhang Jingfu [1728 0513 1133] delivered a speech at the conference and met with all of the Japanese delegates. Many noted personalities from among the legal circles of both countries attended the conference. For instance, on the Japanese side: Kawashima Takeyoshi, professor emeritus of Tokyo University, Hara Gosanji, executive director of the Center for Japanese and China Economic Law, Morita Takamaru, director of the Japan International Trade Promotion Society, Murakami Naoshi, head of the business affairs office of the Society for Interchanges Between Japanese and Chinese Legal Circles, Saito Koni, former president of the Second Lawyers Association of Tokyo. On the Chinese side: Zou Yu [7507 3842], minister of justice; Zhu Jianming [2616 0494 2494], vice minister of justice; Gu Ming [7357 2494], executive of the Center for Economic Laws and Regulations under the State Council; Song Rufen [1345 3067 2780], deputy chairman of the legal system working committee of the NPC Standing Committee; Wang Zhongfang [3769 0112 2455], vice president of the Standing Committee of the China Law Society; Li Wenjie [2621 2429 2638],

deputy head, the Legal Systems Group of the All-China Political Consultative Committee, and others.

The conference proceeded in three stages: First, each side gave special introductory lectures, the topics being China's law on Chinese-foreign joint ventures and cooperative management enterprises, the foreign economic relations control law, the foreign tax law, the customs system, the patent law, the trademark law, the law on capital constructions, the insurance law, foreign exchange control, the civil procedure law (on trial implementation) and on arbitration in foreign economic and trade relations; then also on the Japanese economic civil laws, international private law concerning foreign trade, company law, law of contracts, the law on guarantees, the bankruptcy law, and others. After that, six special groups were formed for a discussion by delegates from alternate sides specialized in certain fields, to mutually raise questions and for thorough explanations of a specialized nature. Finally, a free discussion followed, either on a certain legal question or on a specific economic or technical question.

A warm, candid and harmonious atmosphere permeated the conference. After 5 days of meetings, mutual understanding between the legal circles of both sides was distinctly increased, undoubtedly most helpful for more effective legal services in the future and for the promotion of economic, technical and trade cooperation between China and Japan.

## II. China Has Dependable Laws for All Major Eventualities

When considering investments in China or transfer of technology to China, certain Japanese entrepreneurs are still concerned over whether China has a sufficiently complete set of laws, and whether its legal services can be trusted to protect their legitimate interests. The answer to these questions is, of course, in the affirmative.

A Japanese lawyer, for instance, raised the following question at the conference: The Chinese Provisional Regulations Concerning Lawyers provide that the activities of Chinese lawyers must be based upon facts, take the law as a guideline, and be faithful to the cause of socialism and to the interests of the people. This might give rise to the following doubt in the mind of a Japanese entrepreneur when he engages the services of a Chinese lawyer as legal representative: "Will the Chinese lawyer give consideration to my interests? If he bases on facts and gives service to my interests, will this not cause contradictions to the 'cause of socialism and the interests of the people'?" A Chinese delegate cleared up this kind of erroneous understanding by stating that there is absolutely no contradiction between "basing on facts, taking law as guideline" and "being faithful to the cause of socialism and the interests of the people." It is all a consistent whole, because existence of the socialist cause and of the interests of the people is precisely built upon a basis in facts and on taking law as a guide. Taking action strictly according to law amounts fundamentally to protecting the cause of socialism and the interests of the people. If a dispute should arise between the Chinese and Japanese parties and the facts as well as the law prove that the Japanese side is in the right, the Chinese lawyer will guard the sanctity of the law and will protect with all his heart and to the best of

his professional abilities the legitimate rights and interests of the Japanese entrepreneur. Only by acting in this way will he guard the sanctity of the law, uphold China's reputation, and display true faithfulness to the cause of socialism and the interests of the people.

In the course of the conference, the Japanese delegates raised hundreds of similar legal questions concerning foreign economic and technical cooperation, and the Chinese delegates answered them exhaustively, one by one, to the general satisfaction of the Japanese delegates.

Actually, China's achievements in perfecting its socialist legal system are universally acknowledged. Up to June of this year, the NPC and its Standing Committee passed 40 laws, the State Council promulgated more than 300 laws and regulations, and more than 540 local laws and regulations have been promulgated by provinces, autonomous regions and directly administered municipalities. Among these, 50 to 60 laws and regulations promulgated by the NPC, its Standing Committee, and the State Council relate to foreign economic affairs. Adding to this number the more than 1,500 laws, decrees and regulations promulgated in China prior to the "Cultural Revolution," China has indeed dependable laws for all important and major eventualities. China is at the same time engaged in perfecting and improving its law enforcement organs and legal service structure organizations at all levels. Law courts at all levels (except for an extremely small number in remote border regions) have established economic tribunals to adjudicate economic disputes. The China International Trade Promotion Commission has set up a foreign trade arbitration organization; the administrative departments in charge of industry and commerce at all levels have set up economic contracts arbitration committees and trademark appraisal and investigation committees; the State Patent Office has set up a patent reexamination committee; all these agencies deal with their particular types of disputes. Over 2,700 legal consultation offices (lawyers offices) and over 2,200 public notary offices have been established throughout China to provide Chinese and foreign parties with legal assistance and legal services. Minister of Justice Zou Yu expressed it irrefutably as a kind of summary statement at the conference: "We can say that foreign investments in China or foreign economic and technical cooperation projects in China are protected by legal guarantees."

Of course, the completeness of law is only a relative matter. No country can claim that its laws are absolutely complete. This is also true in the case of China. The Japanese delegation, for instance, raised the following question at the conference: Chinese law provides that after a joint venture enterprise reverts to Chinese ownership on the expiration of its contract term, the Chinese side shall be entitled to use the technologies supplied by the foreign party. This does not conform to standard customs and practices in the case of patented technologies. The Chinese delegation explained that the technologies referred to here are general technologies, not patented technologies. Patented technologies remain subject to the provisions of the patent law and will be available for use only against remuneration. This shows that Chinese law will also have to undergo a gradual process of perfection.

Although this is the case, Chinese laws concerning foreign economic affairs are bound to become more and more perfected; this is beyond doubt and

irrefutable. In the process of its gradual perfection, the principles of sovereignty, equality and mutual benefit as well as respect for international custom and practice will certainly still be observed.

Certain Japanese delegates have therefore declared that efforts will be made in the future to deepen knowledge of Chinese economic laws and to spread this knowledge among Japanese entrepreneurial circles, to help them rid themselves of doubts and apprehensions and to promote further progress in Japanese-Chinese economic and technical cooperation. Murakami Naoshi, for instance, told reporters during the conference that in view of the flourishing Japanese-Chinese economic interchanges, Japanese lawyers must increase their understanding of China, and that it is not enough to limit oneself to the mere study of the Chinese legal texts, but that it will rather be necessary to increase participation in such practical activities as the conclusion of contracts for economic and technical cooperation. This alone will make it possible for us (the Japanese) to gain a more realistic understanding of Chinese law. It is precisely based on this kind of realization that we established the "Society for the Study of the Reality of Chinese Economic Law" this April on the 10th anniversary of the founding of the Association for Interchange Between Japanese and Chinese Lawyers, and that we have, furthermore, invited certain industrialists to become adjunct members. It is our intention to have the Society for the Study of the Reality of Chinese Economic Law become the center for promoting the study of Chinese economic laws from now on.

### III. The Important Factors: Mutual Respect and Mutual Trust

China and Japan have different political and economic systems; they differ in the systems and character of their laws. However, this must not be an obstacle to economic and technical cooperation between the two countries. The rapid progress in Chinese-Japanese economic interchange is a fact that demonstrates this point, but it is also a fact that these differences create difficulties for Japanese industrialists to understand Chinese economic laws. During the present conference, the numerous statements by Japanese delegates on this point left a very deep impression on the Chinese delegates. It also places a task before Chinese legal circles, namely that of gaining a more thorough understanding of Japanese economic laws, in order to better assist the Japanese industrialist and lawyers by means of forms they will be able to understand to gain a better understanding of Chinese laws concerning foreign economic relations. And, the present conference provided an excellent opportunity for China to understand Japanese economic laws.

Confronted with the discrepancies between the Chinese and the Japanese economic and legal systems, an important question discussed with great emphasis by the two delegations at the conference was how to coordinate knowledge and action in all legal questions related to economic interchange. Both delegations made statements on various aspects of this question and gained certain valuable results.

The laws of any country can only be valid within its own jurisdiction and must not be extended to any other country. The legal relations between different countries can only be made binding by bilateral or multilateral treaties and

international conventions. These principles were firmly stated and clearly acknowledged at the conference. The importance of contracts and treaties on economic and technical cooperation, therefore, was brought to the full attention of all delegates.

In his opening speech at the conference, Kawashima Takeyoshi expressed the opinion that under conditions of dissimilarity existing between the Japanese and the Chinese economies, efforts must be made to conclude contracts which systematically fix the rights and duties of the parties, to avoid unnecessary disputes and render the mutual trade safe and reliable. This is undoubtedly a constructive view.

However, precisely as Kawashima said, in spite of all efforts, no one can guarantee that after the conclusion of the contract no disputes at all will arise, such as, for instance, regarding items that could not be foreseen, or that are due to changes in relevant circumstances or due to differences in interpretation by the two sides.

It is therefore, in the final analysis, a factor of even greater importance that there be mutual trust between China and Japan in the course of their mutual economic interchange. Precisely as Comrade Gu Ming said in his summary statement at the conclusion of the conference: "The question of trust is extremely important; it is an issue that law cannot resolve. Trust can only be established on the basis of sincere mutual cooperation. China has always been a country which places a high value on trust and righteousness. It is our opinion that investments can only be reliably guaranteed when relations of sincere trust have been established between both parties."

Gu Ming then also gave this example to illustrate his view: In 1981, when China carried out economic readjustments, it was decided to temporarily defer the construction of the Baoshan Iron and Steel Mill at Shanghai. Contracts by which a hot continuous steel rolling mill was ordered from Japanese manufacturers and a cold continuous steel rolling mill was ordered from West German manufacturers thus could not be fulfilled. As a consequence, China had to pay \$40 million as compensation to the Japanese suppliers, but the parties to the Chinese-West German contract negotiated an extension of the contract for 3 years. Later, when the construction of the Baoshan Iron and Steel Mill was resumed, the cold continuous steel rolling mill ordered from West Germany was indeed manufactured without a hitch, while the manufacture of the hot continuous steel rolling mill had to be newly negotiated, when the West Germans came out victorious in the competition. This experience makes it clear that no country can avoid problems or changes of this or that nature to arise momentarily. If there is mutual trust and sincere friendly cooperation, all affairs can be dealt with much more smoothly, and better relations can be established in economic and technical cooperation.

Trust is the foundation of cooperation, and law is the guarantee of cooperation. Following China's achievements in the reform of its economic system and the perfection of its legislation concerning foreign economic relations, the Chinese investment environment is bound to improve steadily and to lead to ever increasing foreign investments in China. China and Japan, being close neighbors, separated by only a narrow strip of water, have a need

for mutual economic cooperation. The present conference on Chinese and Japanese economic laws is an excellent start and will certainly promote continuous development of economic and technical cooperation between the two countries over a much broader area.

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## FOREIGN TRADE AND INVESTMENT

### JOINT VENTURE SHANGHAI CENTER PROJECT PLANS REVEALED

OW150907 Beijing XINHUA in English 0801 GMT 15 Oct 85

[Text] Beijing, October 15 (XINHUA)--The Portman Companies of the United States unveiled here yesterday the design and financing arrangements for the Shanghai center, which will involve a total investment of 170 million U.S. dollars.

The residential and recreation complex will be built on a 18,000 square-meter site on Nanjing road in Shanghai. It is the largest real estate development project invested in by foreign companies in China to date.

John Portman III, son of architect John Portman Jr. and chief operating officer of the Portman Companies, said land has already been cleared at the Shanghai center site. The construction will begin in early 1986, and be completed by the end of 1988.

He said, of the foreign partners, American International Group, Inc. (AIG), with 30 million U.S. dollars, is the largest single investor in the project.

The Shanghai center foreign partnership will consist of AIG, the Portman Companies, and Kajima Corp. of Japan.

Additional project financing other than the above-mentioned companies will come from CCIC Finance Ltd., a Hong Kong joint venture of the Bank of China, the First National Bank of Chicago, the Industrial Bank of Japan and China Resources, Ltd.

Chinese participants in the project are the Bank of China, the Shanghai Municipal Government and the Shanghai Exhibition Center.

The center, jointly designed by the U.S. Portman Companies and Kajima Corp. of Japan, will comprise three towers, the tallest soaring nearly 50 stories over Nanjing road. Two of the towers will be devoted to residential housing. The third will be a 700-room hotel featuring a major ballroom, meeting rooms, several restaurants and a health club.

The other projects include office space, shops, a theater and a major exhibition hall, together with a covered parking facility.

Portman said, the significance of the Shanghai center cannot be underestimated. "Shanghai is the largest city in China, and is experiencing a rebirth as a commercial center in its dealings with the international business community.

"There are at present only 3,000 hotel rooms in all of Shanghai, and the hotel facilities in Shanghai center will increase this total by almost 25 percent," he added.

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FOREIGN TRADE AND INVESTMENT

IFC, CITIC TO SET UP AUTO JOINT VENTURE

OW111347 Beijing XINHUA in English 1314 GMT 11 Oct 85

[Text] Beijing, October 11 (XINHUA)--The International Finance Corporation (IFC) will take a joint venture with China to produce light trucks in Guangzhou, according to China International Trust and Investment Corporation (CITIC) here today.

Sir William Ryrle is scheduled to arrive in Beijing next Monday to participate in the signing of an agreement on the joint venture, the source said.

The joint venture, which is the first project in China that IFC has a direct investment, also involves automobiles Peugeot of France, Banque Nationale de Paris, an auto factory in Guangzhou and CITIC. The joint venture, which has an estimated total investment of 600 million francs, will produce 15,000 light trucks a year in its first phase and up to 30,000 in its second, the source said.

IFC, of which China is a member country, is affiliated with the World Bank but operates as an independent organization with a separate staff and funding. It is based in Washington D.C. of the United States and supplements the activities of the World Bank by providing loans at commercial rates as well as equity to private business in developing countries.

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CSO: 4020/66

## FOREIGN TRADE AND INVESTMENT

### BEIJING, SHENZHEN, DALIAN OFFICIALS ON INVESTMENT

OW232241 Beijing XINHUA in English 1458 GMT 23 Oct 85

[Text] Beijing, October 23 (XINHUA)--Three civic leaders today told foreign business leaders that they were making every effort to open their cities wider to the rest of the world.

They were addressing more than 100 businessmen from 26 counties and regions, who are attending an international economic symposium here.

Han Boping, deputy mayor of Beijing, said city chiefs had drawn up plans aimed at attracting foreign funds and technology. Between 400 and 500 schemes involving foreign cooperation were planned this year and next.

The city wanted to concentrate on food, electronics, textiles, building materials, light industry and tourism.

Beijing, as capital of the country, was in a sound position to attract foreign investment, said Han. It had many industries and science and technology institutes, and a whole range of service facilities.

Li Hao, mayor of Shenzhen, China's biggest special economic zone, in Guangdong Province, said his city had already introduced many local by-laws providing preferential treatment on tariffs and taxes for foreign investors, and was planning to draw up more.

Other regulations aimed at improving investment conditions would cover the management of foreign banks and mortgage loans.

Shenzhen has developed from a small town of 20,000 people in 1980 into a modern city with a population of 300,000. It has established economic relations with 50 countries and regions.

Li said the city had signed more than 4,000 contracts with foreign businesses, involving foreign investment of 2.9 billion U.S. dollars.

Industrial output value of its Sino-foreign joint ventures and businesses entirely owned by foreigners constituted 53.7 percent of the city's total.

Wei Fuhai, mayor of Dalian in Liaoning Province, said that to quicken the pace of opening to the world, city officials had started to set up a special region for economic and technological development.

Thirty-three construction schemes were under way there involving a total investment of more than 140 million yuan (about 46 million U.S. dollars).

Dalian, China's second-largest port, handles an average of more than 40 million tons of cargo a year, and is the country's biggest handler of foreign trade goods.

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FOREIGN TRADE AND INVESTMENT

NORWEGIANS ADVISE ON LUBUGE, DISCUSS OTHER JOINT HEP JOBS

Oslo AFTENPOSTEN in Norwegian 27 Sep 85 p 40

[Article by Ragnhild Moy: "Chinese Hydroelectric Power With Norwegian Help"]

[Text] "It is rare that technology transfer to another country works as well as with the construction of the large hydroelectric project, Lubuge, in China," Christian Pyk, leader of the Norwegian advisory group for the project, has told AFTENPOSTEN. He also believes that this use of methods of assistance comes closest to the standard for developmental aid appropriations. In the course of the training program that Norway has undertaken in connection with the project, 14 Chinese experts in hydroelectric power have been in Norway for six weeks.

They have visited hydroelectric installations throughout the country and have met with Norwegian experts and authorities. In addition, they have participated in seminars in order to discuss the problems and solutions that can be applied to China's enormous construction program.

Norway's Export Council has the responsibility for the practical implementation of the project. The department director of the Export Council, Ole Schistad, informed a press conference yesterday that, among other things, the group has been shown how what is now being built at Lubuge will operate.

The Chinese experts represent both the central government, the provincial governments and the Lubuge project itself.

"Norwegian participation in the project was confirmed after the Department for Developmental Assistance authorized 90 million kroner in 1983 for plant equipment and consulting services. About 55 million kroner have gone for capital equipment and about 35 million have gone for consulting assistance," says Pyk.

The financing comes about as a joint venture with the World Bank and China. This is the largest project with co-financing that Norway is presently involved with.

About 20 Norwegian supply contractors have participated in the project. Plant equipment and cranes from, for example, Moxey, Broyt and Andersen's engineering

workshop in Flekkefjord are in operation on the plant site which is located in Yunan Province not far from the Vietnamese border. Consulting service will be handled by the investment firms of Selmer, Furuholmen and Astrup Hoyer with support from Norconsult, Norway's Geotechnical Institute and Norway's waterways and electrical systems.

Pyk strongly emphasizes that what is under way is cooperation with the Chinese at every level. Norway's professional staffers at all levels have been at the plant not only to teach the Chinese how to use the equipment, but much has been invested in maintenance as well.

All told, there are 8,000 people at work on plant construction. According to plan, generation of electricity will start in the first quarter of 1989. Norwegian involvement in the project will end in 1987.

The leader of the Chinese delegation, Li Jing Hang, said that the group was pleased with its visit to Norway. He viewed cooperation with foreign companies as extremely promising. He said also that the prospect of continued cooperation with Norway in the future was bright and promising.

Moreover, the joint venture has led to savings on the project which are greater than the expenses for all consulting services. Tor Johansen, who is the Norwegian project director at the plant, says that Norwegian machinery is smaller in volume in comparison to many other types. Therefore, it was possible to reduce the volume of the buildings, and this has led to significant savings. At the moment there are some 7 or 8 Norwegians at the plant; at the most there have been double that number.

Kvaerner Brug is also involved in the project, but that comes as an addition to the project already mentioned. In competition with other foreign companies, Kvaerner obtained a contract for 4 turbines worth about 140 million kroner.

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CSO: 3639/8

FOREIGN TRADE AND INVESTMENT

BRIEFS

LIAONING ENTERS INVESTMENT VENTURES--Shenyang, October 5 (XINHUA) -- Liaoning Province has entered into 11 joint ventures abroad since 1979, involving a total investment of 7 million U.S. dollars, Provincial Foreign Economic Relations and Trade Director Zheng Silin said today. Half of this investment has been provided by the province, he told XINHUA here. The ventures include restaurants, fishing enterprises, and the production of paraffin wax, cement products and moulds for plastic component parts for electrical equipment, motor vehicles and other machines. They have set up business in the Federal Republic of Germany, Japan, Mauritius, Pakistan, Thailand, and Uganda. Zheng said Liaoning was hoping to partner more ventures abroad, especially in co-operation with Western European countries. [Text] [Beijing XINHUA in English 1200 GMT 5 Oct 85]

LAND RECLAMATION PROJECT--Beijing, October 5 (XINHUA) -- Bids for the supply of farm machinery for a land reclamation project in northeast China's province of Heilongjiang opened here today. Fourteen bids were received. Representatives of manufacturing firms from Britain, the Federal Republic of Germany, Italy, Japan, the United States and China attended the bid-opening ceremony, conducted by the International Tendering Company of the China National Technical Import Corporation. The project is financed by a World Bank loan of about 70 million U.S. dollars. The first two sets of bids, for purchasing tractors, combine harvesters and construction machinery, were submitted last year. John Deere Co and Caterpillar Co of the United States, Dynapac Inc of Sweden, and Mitsubishi Heavy Industries Ltd of Japan were awarded the contracts. The bidding this time is mainly for the purchase of seed drying, selecting and grading machines, according to an official from the tendering company. Evaluation of the third set of bids will start soon and contracts are expected to be awarded in December, he said. [Text] [Beijing XINHUA in English 1247 GMT 5 Oct 85]

ARAB BANK OPENS OFFICE--Beijing, October 16 (XINHUA) -- 'Abd al-Majid Shuman, chairman of the board of directors of the Arab Bank Ltd, gave a banquet here today to mark the inauguration of the bank's Beijing office. Founded in the Hashemite Kingdom of Jordan in 1930, the Arab Bank is one of the largest in the Arab world, with branches in 65 countries. It is also the first Middle Eastern bank to establish an office in China. In

their toasts, both Shuman and Pu Ming, chairman of the board of directors of the Bank of China, hoped for a furtherance of ties between their banks and the financial circles of China and the Arab countries. [Text]  
[Beijing XINHUA in English 1452 GMT 16 Oct 85]

CORPORATION GRANTED EXPORT MONOPOLY--Guangzhou, October 26 (XINHUA)--The China National Silk Corporation has been given sole rights to handle silk exports, a corporation official announced here today. The Ministry of Foreign Economic Relations and Trade has ruled that all overseas deals must now go through the corporation. The reason for the change is to control the export of Chinese silk. Now, branches of the corporation will handle export deals according to contracts approved by the corporation and licenses granted by the ministry. Silk products, including raw silk, must be handled by the corporation under export licenses granted by the ministry. All the silk and satin for export must be licensed. No other organizations will be permitted to conclude agreements on the exchange of silk products, compensation trade or Sino-foreign joint ventures involving silk. But the ministry may grant export licenses in special cases. Barter for silk products and compensation trade will be controlled, and conducted under the administration of the China National Silk Corporation. [Text] [Beijing XINHUA in English 1515 GMT 26 Oct 85]

TRUST COMPANY OPENS OFFICE--Guangzhou, October 28 (XINHUA) -- The Guangzhou International Trust and Investment Corporation opened a branch company here today for the Guangzhou economic and technology development zone. The branch company will handle domestic and foreign trust deposits and trust investment, and issue stocks and bonds. It will also set up joint ventures and cooperative enterprises at home and abroad. The company has already signed contracts with foreign firms for textile and light industry joint ventures. [Text] [Beijing XINHUA in English 1830 GMT 28 Oct 85]

PRC-U.S. PHARMACEUTICAL VENTURE--Shanghai, October 18 (XINHUA)--A Sino-U.S. joint pharmaceutical venture went into operation here today following two years' construction. The Sino-American Shanghai Squibb Pharmaceuticals Ltd is run by the Shanghai Pharmaceutical Industry Company and Squibb Company of the United States. With a term of 15 years, it will turn out 20 products, including antibiotics, vitamins and medicines for treating cardiovascular diseases. Annual turnover will amount to about 30 million yuan (about 10 million U.S. dollars). All production processes are carried out in hermetically-sealed workshops to ensure quality. [Text] [Beijing XINHUA in English 1449 GMT 18 Oct 85 OW]

19 November 1985

FOREIGN TRADE FIGURES SOAR--Beijing, October 24 (XINHUA)--China's total foreign trade was worth 40.6 billion U.S. dollars from January to September this year, up 30.2 percent over the same period last year, according to official figures. The Foreign Economic Relations and Trade Ministry said that of the total, exports were worth 18.1 billion dollars and imports 22.5 billion dollars--up 2.3 percent and 66.7 percent respectively. However, exports showed a 10.2 percent increase if price fluctuations are taken into consideration. Imports consisted mainly of advanced technology and equipment, rolled steel, non-ferrous metals, timber, chemical fiber and household electric appliances. An official from the ministry said exports had grown quickly over the past three months, and were expected to pick up further. [Text] [Beijing XINHUA in English 1622 GMT 24 Oct 85 OW]

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SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN SINO-FOREIGN LOAN ORGANIZATION--Shenzhen, October 23 (XINHUA)--A Sino-foreign financial organization, the first of its kind in Shenzhen, Guangdong Province, began business today providing loans for industrial enterprises in this special economic zone. The Shenzhen Industrial Development Credit Fund, sponsored by the Shenzhen branch of the Bank of China and the Japanese Takugin International (Asia) Ltd, will provide preferential loans in Hong Kong dollars, U.S. dollars and Japanese yen with the longest repayment limit of seven year. Each sponsor invests 50 million U.S. dollars and the fund will be expanded to 500 million U.S. dollars gradually. The fund also provides other services, including technology consultancy, technology information and personnel training. It will also arrange loans from international banks for major schemes here. [Text] [Beijing XINHUA in English 1655 GMT 23 Oct 85 OW]

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CSO: 4020/66

LABOR AND WAGES

YUNNAN PROVIDES 730,000 JOBS IN PAST 5 YEARS

HK310135 Kunming YUNNAN RIBAO in Chinese 10 Oct 85 p 1

[Report: "Province Provides 730,000 Jobs in the Sixth 5-Year Plan Period"]

[Text] The figures provided by the provincial statistical bureau showed that during the Sixth 5-year plan period, our province's employed population has increased sharply and the province has in all provided 730,000 new jobs.

Of those newly employed, 397,000 or 53.8 percent came from cities and towns, 135,000 or 18.4 percent came from rural areas, 120,000 or 16.3 percent are graduates from colleges and technical and vocational schools who have received jobs assigned by the state in a centralized manner, and about 84,000 or 11.5 percent came from among demobilized servicemen or other kinds of laborers. As the employed population sharply increases, the number of job-awaiting people in our cities and towns is being reduced year by year. At the end of 1980, the number of job-awaiting people in our cities and towns was 72,000, and it is expected to fall to 45,000 by the end of this year, with the job-awaiting rate dropping to 1.6 percent.

As we have vigorously developed collective and individual economy, during the 5 years, the number of staff and workers in our urban collective sector and that of individual laborers have increased relatively quickly. It is expected that this year, the number of social laborers in our cities and towns throughout the province will be 17.9 percent more than that in 1980, showing an increase of 3.4 percent each year. Among these laborers, the staff and workers in units under the ownership by the whole people is expected to be 9.4 percent more than in 1980. The percentage of this number in the total number of laborers has dropped from 87 to 80.9. The number of staff and workers in our urban collective units is expected to be 37 percent more than that in 1980 and its percentage in the total number of laborers has risen from 12.5 to 14.6. The number of individual laborers is expected to be 14 times more than in 1980 and its percentage in the total number of laborers has increased relatively sharply.

The various kinds of labor service companies that have developed in the past few years, have already become a new type of social labor organization that has spread in all the cities and towns in the province. They are playing an increasingly large role in providing jobs for, training, absorbing, and regulating the labor force in our society.

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CSO: 4006/202

LABOR AND WAGES

NI ZHIFU RECEIVES SENEGALESE DELEGATION

SK290453 Tianjin TIANJIN RIBAO in Chinese 18 Oct 85 p 1

[Text] At noon on 17 October, Ni Zhifu, president of the All-China Federation of Trade Unions, received and feted the Senegalese Workers Federation delegation headed by (Madya Diouf), vice speaker of the Senegalese National Assembly, member of the Political Bureau of the Senegal Socialist Party, and secretary general of the Senegal Workers Federation.

In April 1984, Ni Zhifu led the delegation of the All-China Federation of Trade Unions on a visit to Senegal. Being old friends, they were very happy to meet again yesterday. During the reception Ni Zhifu stated: We happily witness the growth of a relationship between the two countries and the two federations. (Mayda Diouf) stated: We have understood and learned many things thanks to having the opportunity to visit Tianjin Municipality. Ni Zhifu stated: We should learn from each other and exchange our work experience.

Attending the reception and banquet were Wang Jiachong, vice president of the All-China Federation of Trade Unions, and Huang Shulong, chairman of the Municipal Trade Union Council.

The delegation also visited some plants and toured the city on 17 October and left the municipality for other localities to continue on their visit.

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CSO: 4006/202

LABOR AND WAGES

BRIEFS

SHANDONG URBAN EMPLOYMENT--With the vigorous development of the national economy, the number of workers in cities and towns in Shandong Province has greatly increased. It is expected that by the end of 1985, the province's total number of staff, workers and self-employed workers in cities and towns will reach 6.36 million, an increase of 1.21 million, or 23.5 percent, over 1980. Since 1981 more than 1.73 million persons have found jobs, showing an annual average increase of 345,000 persons. About 68.3 percent of these persons are working in state enterprises, 26.6 percent in urban collective units, and about 5 percent are engaging in individual businesses. [Summary] [Jinan DAZHONG RIBAO in Chinese 23 Oct 85 p 1 SK]

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CSO: 4006/202

HONG KONG MEDIA ON CHINA

PRC TO TIGHTEN IMPORT, EXPORT CONTROLS

HK310757 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 31 Oct 85 p 1

[Article by Olivia Sin]

[Text] China is drafting new laws to tighten control over its mushrooming foreign trade activities, according to official sources.

High-level sources in the Ministry of Foreign Economic Relations and Trade told BUSINESS NEWS the country's imports and exports will be governed by new legislation.

The move comes in the midst of a worsening trade situation in China, with imports soaring and exports sagging.

Sources indicate the new laws will contain provisions to encourage exports and restrict imports.

It is likely China will spell out priority imports, such as technology and raw materials, in the legislation.

Details of the laws were not given, but many China traders expressed concern about the effect they might have on business.

According to the ministry, China suffered a trade deficit of US\$34.4 billion in the first nine months of this year, up from 33.16 billion at the end of June.

The sources also said China will continue to use import/export licences to control the shipment of goods according to its economic needs.

Many traders in Hong Kong have complained about the frequent changes in China's import/export rules.

Responding to criticism, the sources admitted the categories of goods covered by the licensing system are subject to changes.

"Today, we can allow you to export a certain item (to our country), but tomorrow we can say 'no'," the sources said.

Defending the country's stand, the sources said similar rules are in force in such countries as Japan and the U.S.

The latest information from China is that export licences are needed for 151 items, including rice, cotton, tungsten, oil, coal and sweet corn.

But the number of items covered by import licences is not known.

There have been reports recently that imports of production lines for the manufacture of consumer items, such as TVs and refrigerators, will require licences.

With imports totalling US\$322.5 billion in the first nine months of this year, China is likely to extend the import licensing system to other less urgently needed products.

Nevertheless, foreign trade officials stressed that necessary raw materials and modern machinery and equipment will continue to be imported in order to improve product quality.

The sources said China will use various means, including administrative control, wage incentives and economic levers to boost exports, which stood at 318.1 billion at the end of last month.

Another source close to the ministry said China is likely to give a bigger share of export earnings and tax incentives to foreign trade corporations and export-oriented factories.

At the moment, export-oriented enterprises are allowed to retain only about 25 per cent of their foreign exchange earnings if they meet the export target set by the government.

If they exceed the target, they are allowed to retain up to 70 per cent of extra earnings.

As a result, many corporations are anxious to boost their production capacity, which is partly responsible for the over-heated economy.

The source said export-oriented enterprises may be allowed to retain up to half the earnings if they reach the target.

In addition, they may be given tax holidays to lower their production costs, while profits tax and local taxes may be reduced or exempted altogether.

Some sources said a more favourable exchange rate of the Chinese yuan against foreign currencies may be applied to such corporations.

On the efforts to control the export of parallel goods, ministry sources said it will be achieved through the concerted efforts of various departments, including Customs and the State Administration of Exchange Control.

The import and export control department under the ministry has been strengthened to curb parallel goods, the sources said.

But they denied reports a new department has been set up in the ministry to handle the job.

The export of textile products is subject to stringent controls.

Four kinds of cotton yarn related fabrics can only be traded at the head office of the China National Textile Import and Export Corp in Beijing.

This means negotiations are conducted in Beijing on behalf of various provincial corporations to make sure the prices obtained are uniform.

As one source summed up: "Production is planned in China and so are the exports."

However, at the same time, Chinese officials have maintained the controls have to be flexible to give some leeway to foreign trade corporations to handle their own affairs.

Officials are optimistic that under strengthened export/import controls the trade deficit will be narrowed by the end of this year.

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HONG KONG MEDIA ON CHINA

ECONOMISTS PROPOSE ECONOMIC REGION SCHEME

HK260811 Hong Kong HSIN WAN PAO in Chinese 26 Oct 85 p 4

["Special Dispatch" by contributing correspondent Wen Po: "Economists Propose Plan for Distribution of China's Productive Forces, with Four Economic Regions and East-West Links"]

[Excerpts] Beijing, 26 Oct -- A number of Chinese economists have proposed: In the general scheme for the distribution of China's productive forces, there should be four major economic regions, focused on east-west horizontal links: the northeast economic region with Shenyang as its center and Dalian as its window; the Huang He basin economic region centered on Tianjin; the Chang Jiang economic region centered on Shanghai; and the southern economic region centered on Guangzhou.

The four economic regions resemble four giant dragons crossing the land. The "dragon heads" are all in the developed eastern regions and eye the Pacific; and the "dragon bodies" and "dragon tails" are in the relatively developed, semi-developed, and undeveloped central and western areas of the country. The "dragon heads" will dispatch imported advanced technology, management experiences, and technological information from east to west; the "dragon bodies" and "dragon tails" will provide a continuous stream of their abundant energy and other resources and semi-finished products to the "dragon heads," where they will be processed and then break into the international market. This combination of superior and inferior, with each making up for each other's strong and weak points, will give joint regional economic efforts powerful cohesion. The "dragon heads" will lead forward the "dragon bodies" and "dragon tails," and China's economy will be invigorated across the vast land.

The proposal of the CPC Central Committee on the Seventh 5-year plan specifically proposed for the first time: It is necessary to handle correctly the relations between the eastern, central, and western economic areas, strengthen horizontal economic ties, and gradually set up a network of economic regions centered on the big cities, each zone having different levels, sizes, and characteristics. This guiding idea provides a reliable guarantee for breaking down the old system of separation of horizontal and vertical ties, speeding up the building of open, network-style economic regions, and forming rational economic distribution.

On 3 September, the five large ports of Dalian, Qinhuangdao, Tianjin, Yantai and Qingdao held a meeting to discuss questions of cooperation in the Bohai economic circle. Over 500 cooperation projects were agreed on, and the establishment of "Bohai economic circle promotion association" was announced.

In late September, the State Council's northeast Economic Regional Planning Office was set up to handle some major questions of coordinating economic development in Heilongjiang, Jilin, Liaoning, and the eastern part of Nei Monggol. A system of organizing meetings of the governors of the three provinces and the chairman of the autonomous region was also established.

In the southwest, Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing City have already held economic coordination meetings. The cities of the Chang Jiang basin are currently discussing the holding of an economic development seminar.

China's economic distribution is formed into three major economic areas: the "mature" eastern area; the "growing" central area; and the "developing" western area.

Today, while carrying out reform and opening up to the world, China is losing no time in regarding the eastern coastal area as the focal points in its economic development. It has set up 4 special economic zones and opened up 14 coastal cities together with the Zhu Jiang delta, the Chang Jiang delta, and the southern Fujian triangle. According to reports, the next step is to open up the Liaodong and Jiaodong peninsulas and thus form a coastal production and open economic belt from Dalian in the north to Beihai in the south.

The marked discrepancies in economic development between the three major economic areas determine that China must step up "east-west dialogue" in its economic construction and organize a horizontal movement of the productive forces so as to organically integrate the strong points of the eastern coastal areas in technology and capital with the strong points in resources of the central and western areas, each making up for the deficiencies of the others.

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HONG KONG MEDIA ON CHINA

SHENZHEN LAUNCHES DEVELOPMENT CREDIT FUND WITH JAPANESE BANK

HK240445 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 24 Oct 85 p 1

[By Paul Sham]

[Text] China's first industrial development credit fund, with initial capital of U.S.\$100 million to be enlarged by stages up to \$500 million, was launched yesterday in Shenzhen.

Speaking at a dinner held in Hong Kong to mark the event, the general manager of the Bank of China [BOC], Shenzhen branch, Mr Zhang Hongyi, said the fund opens a new era of financing in China.

The fund has been jointly established by the BOC Shenzhen branch and Takugin International (Asia) Ltd, a wholly-owned subsidiary of Hokkaido Takushoku Bank of Japan.

Both institutions contribute equally to the fund, whose loans can be made in Hong Kong dollars, U.S. dollars and yen over a maximum period of seven years.

Mr Zhang said that unlike other forms of financing, the fund is specially designed to help Shenzhen meet the targets of its development plan.

Over the next five years, the fund aims to help between 300 and 500 small to medium-sized enterprises, he added.

Without being specific, Mr Zhang said a "preferential" interest rate will be granted in individual cases, each being decided on its merits.

Industries on the fund's priority list are those producing electronics goods, machinery, food and beverages, packaging materials and building materials.

Light industry and metallurgical products are also favoured.

Mr Zhang said the fund will set up a centre in Shenzhen to collect trade information as well as provide a consultancy service to interested investors.

More than 30 Chinese, international and Hong Kong organisations and machinery suppliers have been invited to act as advisers and co-sponsors of the fund.

Because of the growing demand for capital investment in Shenzhen, Mr Zhang said there is still wide scope for other banks to expand their activities there.

He said the Bank of China is negotiating with other foreign banks to undertake certain financing business, but declined to confirm the talks include the establishment of a jointly-owned bank.

The deputy general manager of Takugin International, Mr Motokuni Yamashiro, said the fund's credit limit is likely to be U.S.\$5 million in each case, although larger amounts may be considered in exceptional circumstances.

He said several loans are under consideration, including a U.S.\$2.4 million credit to China Nanhai Oil Development and Service Corp (Shenzhen) and a U.S.\$15 million loan to a Sino-French vehicle joint venture.

Another speaker at the dinner, the vice-mayor of Shenzhen, Mr Zhou Xiwu, said the city has not been singled out in Beijing's tighter controls on credit and foreign exchange spending.

Mr Zhou defended Shenzhen's achievements, pointing to its upsurge in foreign investment in the first nine months of this year and its expanding industrial output.

Shenzhen recently came under repeated attack from opposition circles, led by party old guard Mr Chen Yun, who accused it of using up too much of China's hardearned foreign exchange to build its economic success.

Mr Zhou said the current control on credit is a national phenomenon which affected Shenzhen only slightly.

"The controls only affect the speed and the scale of infrastructure construction, and makes the municipal government select projects more carefully," he said.

Mr Zhou said industrial output in the January-September period exceeded last year's total of 2.2 billion yuan (HK\$5.6 billion).

He said the city signed 801 trade agreements with foreign enterprises in the first nine months of this year, an increase of 5.4 per cent on the level a year earlier.

The amount involved was U.S.\$790 million, a rise of 112 per cent compared with the same period last year.

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HONG KONG MEDIA ON CHINA

GUANGZHOU TRADE FAIR TO STRESS EXPORTS, QUALITY

HK150407 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 15 Oct 85 p 1

[Report from Guangzhou by Olivia Sin]

[Text] Chinese authorities have stressed the importance of expanding exports at the Autumn Guangzhou Trade Fair which opens today.

A fair spokesman told BUSINESS NEWS China will develop its export commodities production bases to ensure higher-quality products.

Guo Weiqiang, director of the exhibition and publicity office of the fair, agreed China has to improve the quality of its goods in order to achieve a better export performance.

In addition, he said biannual trade fair is a long-term policy of the country.

This is despite criticism that the fair is no more important as a major trading venue for foreign businessmen.

He said the General Secretary of the Communist Party, Hu Yaobang, who visited the spring fair, had instructed "the fair should make friends extensively on the basis of mutual benefit".

To form a united front to negotiate with businessmen, Chinese delegations selling the same products from various provinces have formed themselves into sales departments.

These departments will coordinate the negotiations of various provinces to avoid competition.

Mr Guo said 20,700 invitations have been issued to foreign businessmen to attend the autumn fair, 570 more than the spring fair.

Fair officials said they are hopeful business turnover at the autumn fair will exceed the spring fair, when business believed to be worth about US\$2.7 billion was concluded.

To signify the importance China attaches to the fair, millions of yuan have been spent to renovate the fair venue--the Guangzhou Foreign Trade Centre.

HONG KONG MEDIA ON CHINA

FUJIAN PLANS TO FLOAT YEN BONDS IN TOKYO

HK160207 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 16 Oct 85 p 5

[Text] Fujian plans to make a 10 billion yen (HK\$360 million) public bond issue in Japan before the end of this year, according to an executive of Fujian Enterprises Co. Ltd.

The company is the local arm of Fujian Investment and Enterprise Corpn which handles financing and banking business for the province.

It will be the second time Fujian Province has floated bonds in the Japanese capital market, but the first time as a public offering.

Five billion yen was raised by Fujian in a private placement of bonds in Japan in 1983, which also marked the first fund-raising activity in overseas markets by any of China's provincial governments.

The company official said the 10-year public bonds have received approval from the Beijing Government, while the coupon rate and the commission bank are still being negotiated.

The funds raised will be used to develop Xiamen Sensitive Materials Factory, Xiamen Aviation Co., and the province's oil refinery, he said.

A bank delegation will visit Japan next month to finalise the arrangement.

Because of the success of Fujian's previous bond issue, which has enhanced the province's credit-worthiness, the initial response to the latest issue in the Japanese market is encouraging, according to securities sources.

At least six major Japanese banks are said to be competing to manage the issue, with the Bank of Tokyo favourite.

The sources said competition to underwrite the issue is also fierce among Japanese securities houses.

Fujian's first overseas bonds were organised by the Bank of Tokyo and Nomura and Sanyo securities houses, with the Fujian branch of the Bank of China as guarantor.

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